



Bridging the Retirement Gap with the CalPERS Supplemental Income 457 Plan

Are you building a bridge or
are you looking at the Grand Canyon?



How Much Money Will You Need for Retirement?

- ◆ Industry experts recommend 80% of your current income*
- ◆ If your current annual income is \$40,000 you may need approximately \$32,000 each year in retirement
- ◆ Where do you start?

* The Journal of Financial Planning



CalPERS Pension

- ◆ Defined Benefit Program
 - Years of Service
 - Age at Retirement
 - Final Compensation
- ◆ Example 2% @ 55
 - 2% of your average salary for each year of service credit at age 55
 - 25 years of Service X 2% = 50%
- ◆ Can you live on 50% of your current income?



How to Bridge the Gap

- ◆ Social Security
- ◆ Outside investments
- ◆ Additional permissive service credit
- ◆ The most overlooked source of retirement income is a defined contribution plan



457 Tax Advantages

- ◆ Tax-deferred growth
- ◆ Salary reduction of taxable income

Start Early

Start Age	Amount Deferred 26 payments per year	Total Saved (by age 55*)
25	\$25 = \$54.16 per month	\$54,695
35	\$25 = \$54.16 per month	\$25,143
45	\$25 = \$54.16 per month	\$8,913
Increase your Contribution		
25	\$100 = \$216.66 per month	\$218,779
35	\$100 = \$216.66 per month	\$100,571
45	\$100 = \$216.66 per month	\$35,653

*Assumes a 6% annual rate of return



Deferral Limits for 2011

- ◆ Annual contribution limit
 - \$16,500
- ◆ Age 50 catch-up limit
 - \$22,000 = \$5,500 + \$16,500
- ◆ Three year catch-up limit
 - \$33,000 = \$16,500 + \$16,500



457 Distributions are Flexible

- ◆ Stay with CalPERS in retirement
- ◆ No early withdrawal penalties
- ◆ Distribution options
 - Monthly, quarterly, semi-annually
 - Randomly, at-will
- ◆ Distributions are taxed as ordinary income when received



457 Portability

- ◆ Rollovers between 457, 401(k), 403(b) and IRA
- ◆ Consolidation into CalPERS 457
- ◆ Distributions/rollovers out of 457 are subject to the receiving qualified plan's rules
- ◆ Purchase pension plan service credit

Keys to Deferred Compensation Success



- ◆ Start contributing as soon as possible
- ◆ Contribute as much as you can
- ◆ Pay yourself first



Assessing Your Investment Strategy


- ◆ Time horizon
- ◆ Risk/reward tradeoff
- ◆ Asset allocation & diversification



Asset Allocation

- ◆ **Asset Allocation** is the apportioning of investment funds among different asset classes
- ◆ Different asset classes
 - US Large cap stocks
 - US small/mid cap stocks
 - International stocks
 - US bonds
 - US cash equivalents

Asset Class Diversification



1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
37.6%	23.0	33.4	28.6	29.8	21.5	22.8	17.8	60.7	20.7	14.0	26.9	11.6	25.9	32.5
34.5	17.6	22.8	20.3	27.3	5.9	3.8	1.6	39.2	18.4	7.8	16.2	9.9	1.6	28.1
31.7	10.3	15.9	13.1	21.0	0.6	3.7	-6.5	28.7	12.0	7.3	15.8	5.5	-20.7	26.5
23.8	6.4	15.9	12.2	14.3	-3.6	-0.8	-13.3	24.8	10.9	5.7	12.9	5.4	-36.7	14.0
11.6	5.2	5.3	4.9	4.7	-9.1	-11.9	-15.7	1.4	8.5	4.9	4.8	4.7	-37.0	0.1
5.6	-0.9	2.1	-7.3	-9.0	-14.0	-21.2	-22.1	1.0	1.2	3.0	1.2	-5.2	-43.1	-14.9

• Small stocks • Large stocks • International stocks • Long-term government bonds • Treasury bills • Diversified portfolio

♦ **Past performance is no guarantee of future results.** This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © 2010 Morningstar. All Rights Reserved. Used with permission from ING. 3/1/2010. The data assumes reinvestment of income and does not account for taxes or transaction costs.



CalPERS 457 Investments

- ◆ Asset allocation funds
 - Risk-based
 - Target retirement date
- ◆ Full range of funds in core line-up
 - Covering multiple asset classes
 - Active & passive management styles
- ◆ Self-Managed account option
 - Access to thousands of retail mutual funds
 - CDs

457 Asset Allocation Funds



Risk Based Funds	Fee	Investment Type
CalPERS Conservative Asset Allocation	0.64%	Risk-Based AA
CalPERS Moderate Asset Allocation	0.64%	Risk-Based AA
CalPERS Aggressive Asset Allocation	0.64%	Risk-Based AA
Target Retirement Date Funds	Fee	Investment Type
CalPERS Target Retirement Income	0.64%	Age-Based AA
CalPERS Target Retirement 2005	0.64%	Age-Based AA
CalPERS Target Retirement 2010	0.64%	Age-Based AA
CalPERS Target Retirement 2015	0.64%	Age-Based AA
CalPERS Target Retirement 2020	0.64%	Age-Based AA
CalPERS Target Retirement 2025	0.64%	Age-Based AA
CalPERS Target Retirement 2030	0.64%	Age-Based AA
CalPERS Target Retirement 2035	0.64%	Age-Based AA
CalPERS Target Retirement 2040	0.64%	Age-Based AA
CalPERS Target Retirement 2045	0.64%	Age-Based AA
CalPERS Target Retirement 2050	0.64%	Age-Based AA

Prior to making any investment decisions you should carefully review all fund information. This presentation is for general education purposes only and does not, "nor is it intended to constitute legal, tax, investment or financial advice." To the extent that you need any such advice you are encouraged to speak with your legal, tax or investment advisor.

457 Core Funds

Core Fund Offerings	Fee	Investment Type
Short-Term Investment Fund	0.50%	Cash Equivalent
PIMCO Short-Term Bond Fund	0.51%	Short-Term Bond
CalPERS Total Return Bond	0.55%	Intermediate Bond
CalPERS Treasury Inflation Protected Securities (TIPS)	0.55%	Inflation-Protected Bond
CalPERS S&P 500 Equity Index	0.35%	Large Cap Index
AllianceBernstein Active Large Cap Value	0.90%	Large Cap Value
Turner Active Large Cap Growth	0.90%	Large Cap Growth
CalPERS Small/Mid Cap Equity Index	0.40%	Small/Mid Cap Index
The Boston Company Small/Mid Value	0.98%	Small/Mid Cap Value
The Boston Company Small/Mid Growth	0.98%	Small/Mid Cap Growth
CalPERS International Index	0.40%	International Index
Pyramis Select International	0.94%	International Equity

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How to Enroll

- ◆ Complete forms
 - Employee Action form
 - Beneficiary Designation form
- ◆ Submit forms to your employer's payroll department
- ◆ To change your investments or rebalance your portfolio
 - Call toll-free (800) 260-0659
 - Access plan website using your PIN
 - No paper forms will be accepted for this transaction



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